

Brief Report

Test marketing of new smokeless tobacco products in four U.S. cities

John D. Rogers, Lois Biener, & Pamela I. Clark

Abstract

Introduction: This exploratory study was designed to assess the availability, price, and point-of-purchase marketing strategies for new smokeless tobacco products in 4 test market areas.

Methods: A random sample of 50 gas stations, convenience and food stores, and tobacco shops was selected in each of 4 test market areas. Pairs of observers visited each store, recorded product information, and engaged vendors in conversation about product demand.

Results: Snus was available in 64% of the stores, but availability and price differed by brand. Point-of-purchase marketing also varied by brand on a variety of dimensions and all brands appeared to be marketed primarily to smokers. Camel Snus was described by store attendants as having the highest demand and was also the most expensive of the observed products. In light of the number of test market cities and intensity of promotion at retail locations, Camel Snus was the most intensively marketed product.

Discussion: The results appear to reflect differences in marketing strategy by American snus manufacturers. These strategies may help to predict future marketing of snus and other tobacco products and may provide a baseline for later assessments of product acceptance.

Introduction

A new generation of smokeless, low-nitrosamine tobacco products is being actively marketed in the United States. Although smokeless tobacco use has historically occurred at low rates in the United States, sales of moist snuff are on the rise (Alpert, Koh, & Connolly, 2008) and financial market watchers have described smokeless tobacco as “the next big thing” as smokers search for ways to cope with an environment that is increasingly hostile to cigarettes (Goldman Sachs Global Investment Research, 2006).

At the top of the list of new products is the Swedish-style “snus,” which is lower in tobacco-specific nitrosamines than in cigarettes, does not require spitting, and is relatively unobtrusive when in use.

Starting in the summer of 2006, at least four major U.S. cigarette companies introduced new snus products to multiple test markets. Camel Snus (R. J. Reynolds) initially appeared in Portland, OR, and Austin, TX; later test sites included, among others, Columbus, OH; Indianapolis, IN; and the cities of Dallas and Fort Worth, TX. Similar products introduced at this time include Grand Prix and Tourney Snus (Liggett Group, LLC, Mebane, NC), Taboka and Marlboro Snus (Philip Morris USA, Richmond, VA), and Triumph Snus (Lorillard, Inc., Greensboro, NC).

Low-nitrosamine smokeless products have been found to be less harmful than cigarettes (Levy et al., 2004; Savitz, Meyer, Tanzer, Mirvish, & Lewin, 2006), but the dissemination of this knowledge is a subject of continuing controversy. Offsetting the value of potentially reduced harm is the possibility that if health agencies promote the switch from cigarettes to smokeless tobacco, they may encourage initiation by young people, perpetuate tobacco use among smokers who would otherwise quit, or encourage continued smoking by providing an alternative source for nicotine when it is not possible to smoke (Carpenter, Connolly, Ayo-Yusef, & Wayne; Zhu et al., 2009).

There are little data available concerning the prevalence, quantity, and frequency of snus usage in the United States. The use of smokeless tobacco of all types declined in the 1990s from a peak in 1987 of 6.1% for adult men (Nelson et al., 2006). However, recent sales data suggest that this trend has reversed with a 33% increase between 2000 and 2007, offsetting approximately 30% of the concurrent decline in cigarette sales (Connolly & Alpert, 2008). The increase in smokeless tobacco sales is not attributable specifically to snus, but corporate statements reveal high hopes for these new products (Seeking Alpha Ltd, 2009b). Other manufacturers have provided more cautious and even pessimistic assessments of test marketing results (Seeking Alpha Ltd, 2008, 2009a).

John D. Rogers, Ph.D., *Center for Survey Research, University of Massachusetts Boston, Boston, MA*
Lois Biener, Ph.D., *Center for Survey Research, University of Massachusetts Boston, Boston, MA*
Pamela I. Clark, Ph.D., *Department of Public and Community Health, School of Public Health, University of Maryland, College Park, MD*

Corresponding Author:

John D. Rogers, Ph.D., *Center for Survey Research, University of Massachusetts Boston, 100 Morrissey Boulevard, Boston, MA 02125, USA. Telephone: 617-287-7200; Fax: 617-287-7210; E-mail: John.Rogers@umb.edu*

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With Camel Snus now being sold nationally and continuing test marketing of other brands, systematic surveillance of these products is needed. In order to better understand the deployment of these new tobacco products and the strategies used for marketing them, we conducted pilot research among retail outlets in four cities with active test marketing programs. The goals of the study were to assess the availability, price, and marketing strategies for new smokeless tobacco products in these areas and to provide guidance for future population-based research.

Methods

A random sample of 50 gas stations, convenience and food stores, and tobacco shops was selected in each of four test market areas from a list provided by a commercial vendor (Marketing Systems Group): Columbus, OH; Dallas and Fort Worth, TX; Indianapolis, IN; and Portland, OR. Data collection took place between 14 May 2008 and 15 September 2008. Pairs of trained observers visited each store, recorded product information, and engaged vendors in conversation about product demand. Observers were trained to compare their records after each store visit and to resolve any discrepancies between their records. Whenever possible, observers took digital photographs of product displays and advertisements.

Of the 200 sampled businesses, 23 (11.5%) either did not sell tobacco or were no longer open. Observations were completed for 165 of the remaining 177 establishments (93%), the primary reason for nonresponse being incorrect address information that could not be resolved in the study timeframe ($n = 11$). In only one case was an observation team asked to leave the store. Of the 165 completed observations, 38 were in Columbus, OH; 20 in Dallas, TX; 22 in Fort Worth, TX; 40 in Indianapolis, IN; and 45 in Portland, OR. Results from Dallas and Fort Worth were combined for analysis.

At each store, observers recorded the availability of all brands of snus for which marketing had been announced in that city and asked the attendant whether any other brands were available. For stores in which product was available, additional information was recorded, including (a) price excluding sales tax for each available snus brand and for the primary cigarette brands from the same manufacturers; (b) observers estimated whether snus was placed within 6 ft of the cash register and whether snus was placed nearer to cigarettes or to other smokeless tobacco (indicative of prominence of the product and target audience, respectively); (c) the presence of exterior and interior signs advertising each snus brand; and (d) the presence of incentives such as "onserts" (coupons attached to cigarette packs), discounts, and gifts. Finally, store attendants were asked for their impression of the demand (low, medium, or high) for each snus product sold at that location. Statistical significance of differences in mean prices was assessed using paired (snus vs. cigarettes) and grouped (comparisons between brands) t tests. Differences between brands for product comparisons for product placement and marketing observations were assessed using simple tests of proportions.

Results

Availability of snus

Of the 165 stores observed, at least one brand of snus was available at 105 locations (64%). The rates of product availability

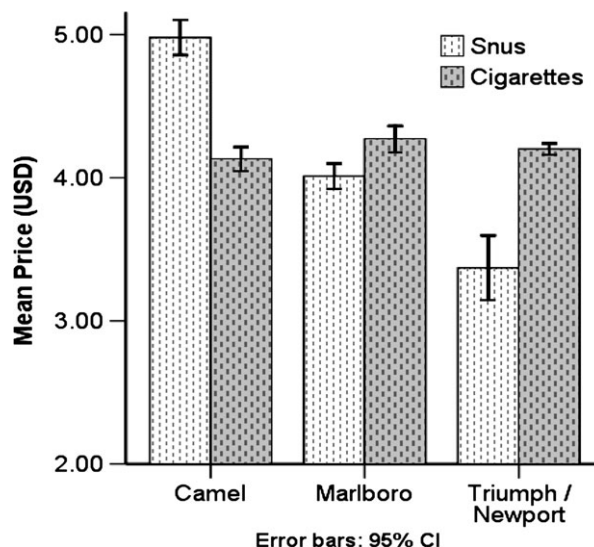


Figure 1. Mean observed prices for snus and cigarettes in stores selling each product.

were relatively high for Marlboro Snus (61%) and Triumph Snus (63%), which were concentrated in fewer cities; availability was lower for Camel Snus (37%), which was marketed in all four cities. Although marketing of Grand Prix Snus had been announced for all four cities as of May 2008, the product was available in only two of the sampled stores. A product for which no marketing campaign had been announced, Tournay Snus (Liggett Group, LLC), appeared in four stores. Because of the limited numbers of observations for these two products, further analysis was limited to the three most widely observed brands: Camel, Marlboro, and Triumph.

Price of snus and cigarettes

The price of a can of snus varied substantially across brands. Camel Snus was more expensive than both Marlboro Snus ($M = \$4.98$ vs. $\$4.01$), $t(102) = 9.31$, $p < .01$, and Triumph Snus ($M = \$4.98$ vs. $\$3.37$), $t(29) = 6.53$, $p < .01$. Triumph Snus was less expensive than the Marlboro product ($M = \$3.37$ vs. $\$4.01$), $t(26) = 2.65$, $p < .05$. There were no significant price differences between the premium cigarette brands of each manufacturer (Camel, Marlboro, and Newport cigarettes). Camel Snus was significantly more expensive than Camel cigarettes ($M = \$4.98$ vs. $\$4.13$), paired $t(61) = 10.84$, $p < .01$, but the price of snus was reduced relative to cigarettes for both Marlboro ($M = \$4.01$ vs. $\$4.27$), paired $t(49) = 6.76$, $p < .01$, and Triumph/Newport ($M = \$3.37$ vs. $\$4.20$), paired $t(22) = 3.43$, $p < .01$. Prices for each snus brand and cigarettes are shown by brand below in Figure 1.

Promotion and perceived demand

A variety of promotional strategies were evident across the three brands. The percentage of each characteristic within stores is shown for each brand in Table 1. The use of interior signs was more common than exterior signs for all brands but especially so for Marlboro Snus, for which only one (2%) exterior sign was observed. Both Camel and Triumph Snus were advertised with exterior signs about half the time (53% and 50%, respectively).

**Table 1. Marketing characteristics:
Percentage of stores selling product**

| | Camel (n = 61) | Marlboro (n = 50) | Triumph (n = 24) |
|---|-------------------|----------------------|---------------------|
| Exterior signs | 52.5 _a | 2.0 _b | 50.0 _a |
| Interior signs | 72.1 _a | 94.0 _b | 70.8 _a |
| "Onserts" present | 24.6 _a | 16.0 _a | 0 _b |
| Free with cigarette purchase ^a | 6.6 | 6.0 | 20.8 |
| Discount—coupon | 26.7 _a | 8.3 _b | 0 _b |
| Discount—no coupon ^a | 0 | 0 | 25.0 |
| Within 6 ft of register | 95.1 _a | 94.0 _a | 73.9 _b |
| Placed near cigarettes (vs. smokeless) | 88.5 _a | 100.0 _b | 83.3 _a |
| Low perceived demand | 58.3 _a | 87.8 _b | 87.5 _b |
| Medium perceived demand | 33.3 _a | 12.2 _b | 12.5 _{ab} |
| High perceived demand ^a | 8.3 | 0 | 0 |

Note. Differing subscripts indicate proportions that differ significantly by brand, $p < .05$.

^aInsufficient observations for test of proportions.

Incentives were not frequently observed in any store. The use of "onsert" coupons attached to cigarette packs was most common at stores selling Camel products (25%), with a few observations for Marlboro (16%) and none for Triumph. Discount coupons were widely available for Camel Snus (27%) but rarely present for Marlboro (8%) and none was observed for Triumph. However, Triumph was much more likely to be given away free with a cigarette purchase (21% vs. 7% for Camel and 6% for Marlboro).

Product placement also varied by brand. Although Snus products were commonly placed near the cash register and closer to cigarettes than to smokeless tobacco, Triumph Snus was less likely to be placed in close proximity to the register (74% vs. 95% for Camel and 94% for Marlboro). Snus placement across all brands was most often closer to cigarettes than to smokeless tobacco, but Marlboro was positioned nearest to cigarettes 100% of the time versus 88% for Camel and 83% of the time for Triumph.

Vendors reported the highest demand for Camel Snus, which was the only brand receiving any ratings of "high" (8%) and was rated as "medium" in one third of stores (33%). More than 85% of attendants at stores selling Marlboro and Triumph Snus rated the demand for these products as "low," and even the demand for Camel Snus was rated as "low" at 58% of stores.

Discussion

The results appear to reflect differences in marketing strategy by American companies and may also demonstrate different approaches to test marketing. Although the availability of these products varied substantially, snus of one kind or another was available in more than 80% of the observed stores. The fact that the products were almost always placed with cigarettes may indicate that they are being marketed to smokers rather than to users of conventional smokeless tobacco. These test marketing efforts

represent a substantial investment by companies, and the results may already be evident in the marketing decisions of those companies. Camel Snus, the product with greatest apparent success, is the only one of the observed products that went on to be marketed nationally by the time this report was prepared.

The importance of promotional incentives and extensive marketing support is highlighted in a recent financial report by Reynolds American, Inc (2009), which frankly described these costs as necessary for product success. This investment may be paying off in the form of increased demand for Camel Snus. Vendors frequently reported that snus products did not move without incentives such as a coupon for a free container. It is also notable that Camel Snus was the most expensive product and was also the most frequent target of onserts and discount coupons. This could represent an attempt to present the product as a premium brand and/or an attempt to improve desirability by making the price appear to be more of a bargain. In a recent study conducted with similar methodology in different test market cities, Camel Snus was also found to be priced comparatively high, but coupons were not yet widely available (Clark, Kim, Biener, Giovino, & Marcus, 2007).

Although the highest levels of demand were reported for Camel, demand for snus in general was described by vendors as low at best. At this time, it is not clear whether the apparently greater acceptance of Camel Snus is a result of more effective marketing strategies, a superior product, or simply a greater willingness to gamble on the part of the parent company. It is also possible that marketing efforts other than the point of purchase have been important components of these marketing campaigns and subsequent decisions made by tobacco companies.

This preliminary research was designed to identify the major point-of-purchase marketing strategies for the manufacturers of new smokeless tobacco products in four test market areas. The sample design used in this study permits an accurate estimate of snus availability in the universe of tobacco retailers in the particular test markets. However, to the extent that a manufacturer intentionally concentrates the product in a specific type of outlet (e.g., a particular chain of convenience stores) and communicates that strategy effectively to consumers, our estimate may not reflect the product's accessibility. Nevertheless, we were able to identify important differences between brands in availability, pricing, and marketing. Additional research and continued monitoring is needed in order to better understand the relationships between test marketing practices and the acceptance of these products by new and existing tobacco users.

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Declaration of Interests

None declared.

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